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Elizabeth O'Donnell
Executive Director
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June 2, 2006

**RE: *THE APPLICATION OF KENTUCKY UTILITIES
 COMPANY FOR AN ORDER AUTHORIZING THE
 ISSUANCE OF SECURITIES AND THE ASSUMPTION
 OF OBLIGATIONS - CASE NO. 2006-00187***

Dear Ms. O'Donnell:

Enclosed please find an original and eight (8) copies of the Response of Kentucky Utilities Company's to the Commission Staff's Data Request dated May 30, 2006.

Should you have any questions concerning the enclosed, please do not hesitate to contact me at (502) 627-3780.

Sincerely,

Rick E. Lovekamp

Enclosures

cc: Elizabeth Blackford

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY)
UTILITIES COMPANY FOR AN ORDER)
AUTHORIZING THE ISSUANCE OF) **CASE NO. 2006-00187**
SECURITIES AND THE ASSUMPTION)
OF OBLIGATIONS)

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
COMMISSION STAFF'S
DATA REQUEST
DATED MAY 30, 2006

FILED: JUNE 6, 2006

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Data Request Dated May 30, 2006

Case No. 2006-00187

Question No. 1

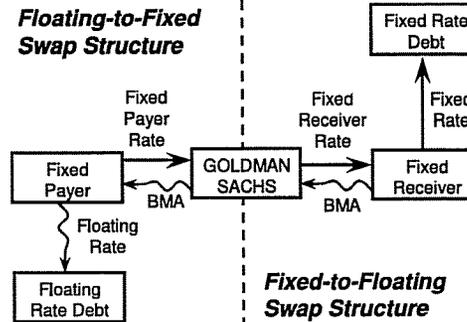
Witness: Daniel K. Arbough

- Q-1. Refer to page 8 of KU's May 4, 2006 filing. Provide any supporting data related to the statement that current market conditions are yielding a 3-year hedge cost of 90 basis points.
- A-1. The 90 basis point estimate mentioned above was based on "Municipal Rates and Swap Levels" provided by Goldman Sachs as of April 27, 2006. (Please see attached sheets). It is the difference between the annual average BMA rate (2.84%) and the BMA Fixed Payer rate for 3 years (3.77%). This 93 basis point difference was rounded down to 90 basis points in the application.

Municipal Rates and Swap Levels

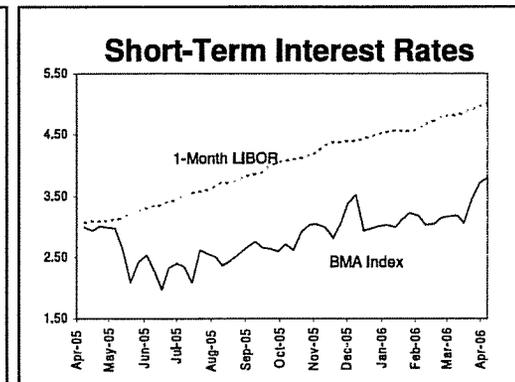
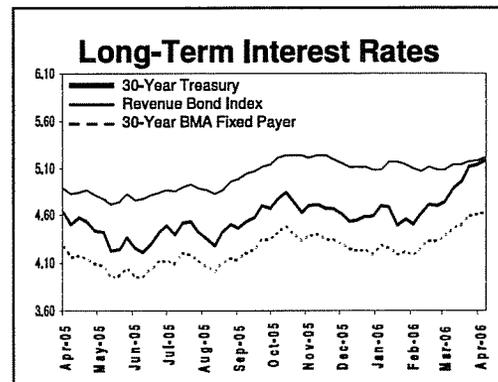
As of 04/27/06

Tax Exempt Rates				
Maturity	"AAA" G.O. Yields	BMA Fixed Receiver	BMA Fixed Payer	68% LIBOR Fixed Payer
1	3.58	3.63	3.69	3.73
2	3.60	3.66	3.72	3.68
3	3.61	3.69	3.77	3.69
4	3.62	3.74	3.82	3.72
5	3.66	3.78	3.88	3.75
6	3.76	3.84	3.94	3.78
7	3.86	3.90	4.00	3.80
8	3.96	3.94	4.06	3.83
9	4.03	3.99	4.13	3.86
10	4.08	4.04	4.18	3.88
11	4.13	4.08	4.24	3.92
12	4.18	4.11	4.29	3.93
13	4.21	4.12	4.32	3.94
14	4.24	4.15	4.35	3.95
15	4.26	4.19	4.39	3.97
16	4.28	4.22	4.42	3.97
17	4.30	4.24	4.44	3.98
18	4.32	4.27	4.47	3.98
19	4.34	4.29	4.49	3.99
20	4.37	4.31	4.51	4.00
25	4.49	4.38	4.58	4.00
30	4.53	4.42	4.62	4.00



Selected Municipal Index Data			
	BMA	1M LIBOR	RBI
Reset Day	Wednesday		Thursday
Current Week	3.80	5.02	5.20
Week's Change	0.10	0.07	0.02
YTD Average	3.17	4.69	5.12
Annual Average	2.84	3.99	5.02
3-Yr Average	1.79	2.38	5.07
5-Yr Average	1.74	2.30	5.18
10-Yr Average	2.66	3.97	5.45

JJK	LIBOR		CP	Treasury Yields						
	3-month	6-month	30-day	2-year	3-year	5-year	7-year	10-year	30-year	
	3.85	5.15	5.29	5.08	4.91	4.92	4.95	5.02	5.08	5.18



This information regarding current market value is provided for your information only. It is based on a good-faith estimate of the price at approximately the time indicated and may not represent a price at which either a purchase or sale can be executed with Goldman Sachs or any of its affiliates.

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